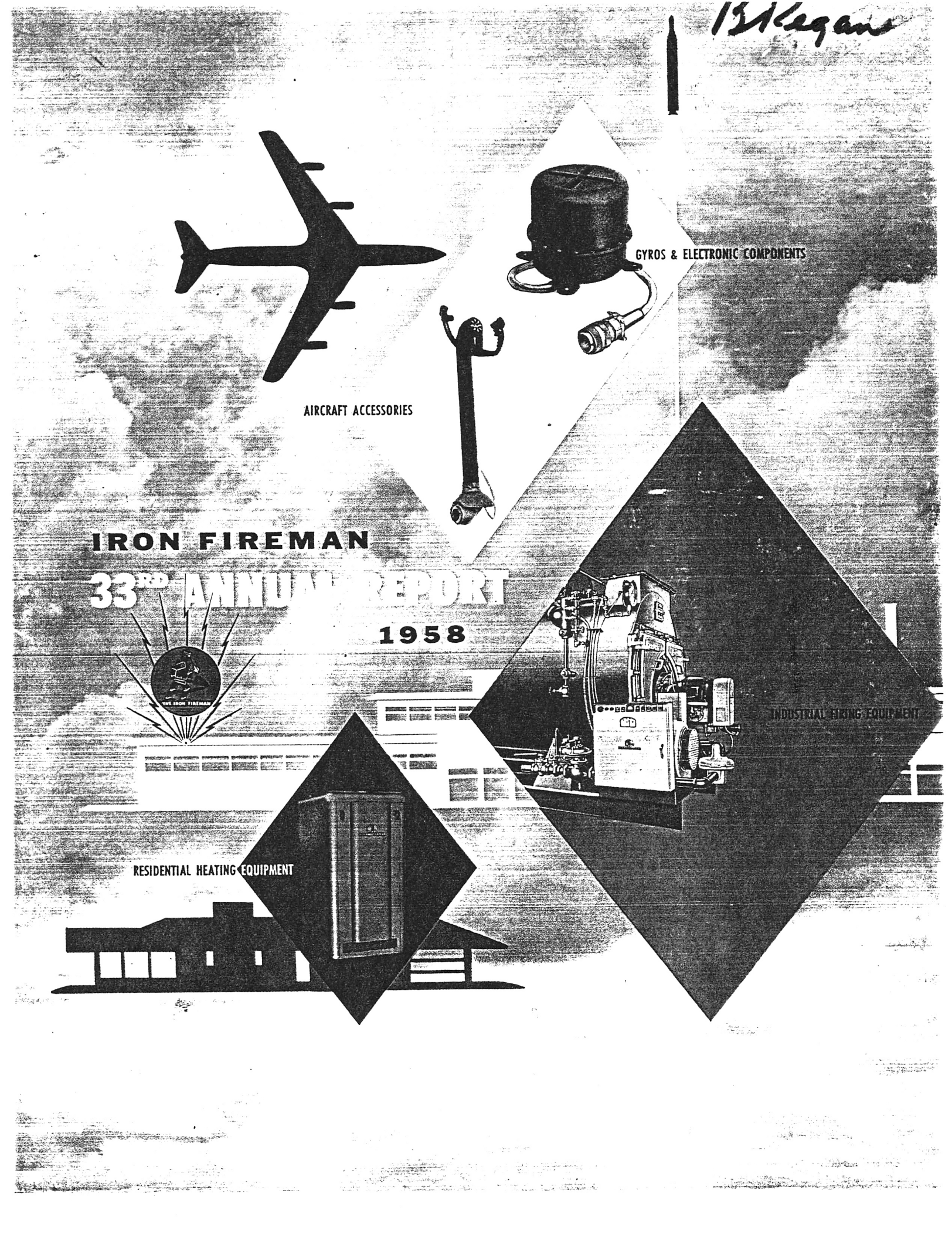


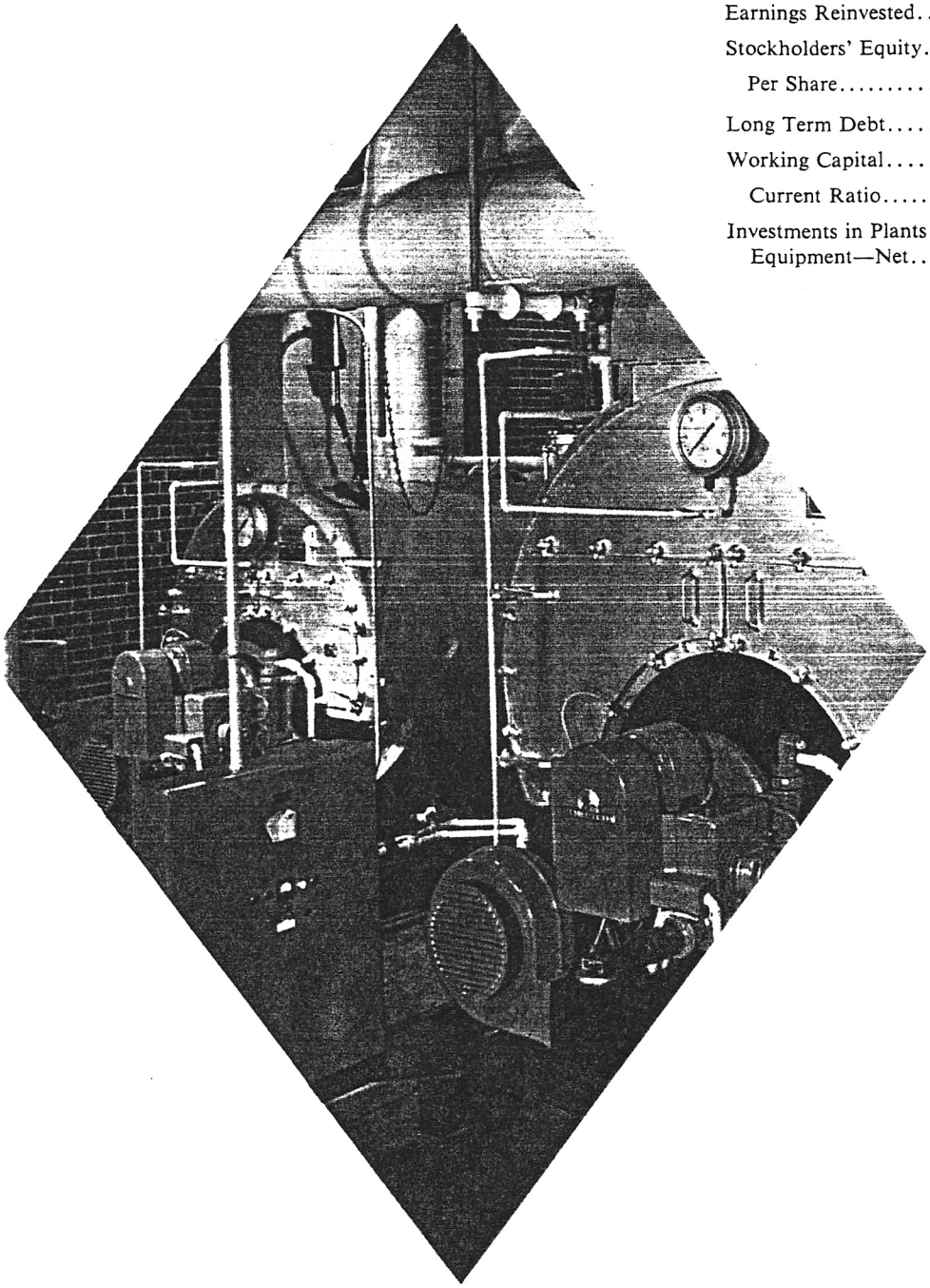
IRON FIREMAN

33RD ANNUAL REPORT

1958

SUMMARY OF OPERATIONS 1958

	1958	1957
Net Sales	$27,938,130	$26,559,614
Income Before Taxes	1,091,111	1,591,660
Taxes on Income	587,000	834,000
Net Income After Taxes	504,111	757,660
Per Share	1.40	2.10
Cash Dividends Declared	269,926	107,971
Per Share	.75	.30
% of Net Income	53.6%	14.3%
Earnings Reinvested	6,810,276	6,576,091
Stockholders' Equity	9,205,476	8,971,291
Per Share	25.57	24.92
Long Term Debt	1,200,000	1,400,000
Working Capital	7,311,410	7,132,138
Current Ratio	2.68	2.41
Investments in Plants and Equipment—Net	2,905,836	3,045,477



REPORT TO THE STOCKHOLDERS

1958 was a profitable year for Iron Fireman in the face of a general business decline. New basic strength will key continued progress.

By Lewis J. Cox, President

Iron Fireman operations for 1958 resulted in a net profit of $504,111. This is equivalent to $1.40 per share on the common stock outstanding and compares with 1957 earnings of $757,660 or $2.10 per share. The decline in earnings can be attributed to the lower level of business activity which prevailed during the first part of 1958 and to the stretch-out of the military procurement program.

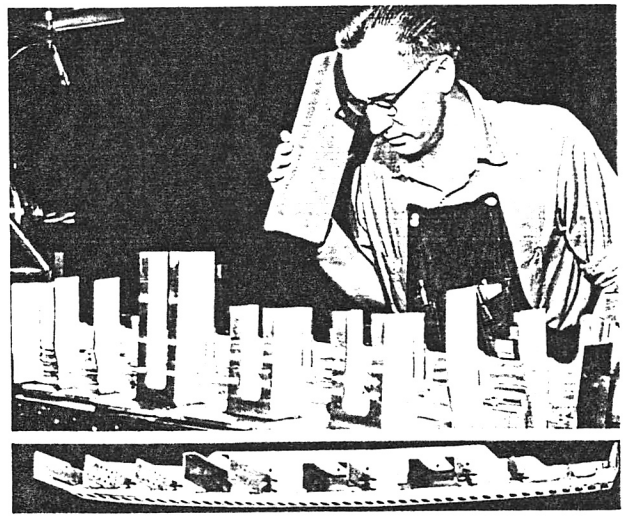
Net worth of the company increased to $9,205,476 as of December 31, 1958, giving the stock a book value of $25.57 per share.

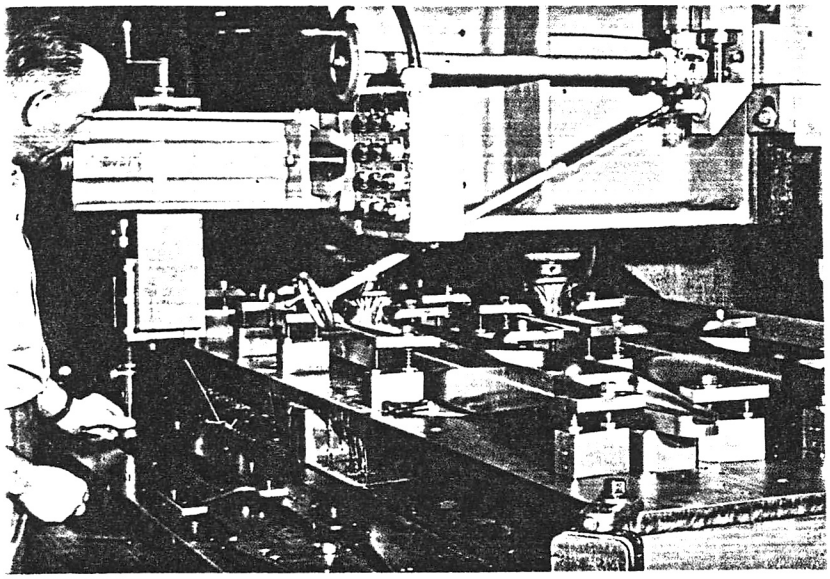
Sales volume in 1958 was $27,938,130 an increase of approximately 5% over the 1957 sales of $26,559,614. Military product sales were lower than in the past year. Heating equipment showed a substantial increase due principally to the addition of Conco and Timken Silent Automatic products, these acquisitions having been made on January 1.

Total dividends paid to stockholders in 1958 aggregated $269,926. This represents four quarterly dividends of 15c each, plus an extra dividend of 15c per share. At their meeting on February 3, 1959, the Board of Directors declared the regular quarterly dividend of 15c per share, payable March 2, 1959 to stockholders of record February 16, and in addition a 3% stock dividend, which will be distributed April 1, 1959, to stock of record March 9.

You will be interested, I am sure, in the many constructive activities of the people in each of our divisions. These activities carry us into new fields and into new and improved products. We now are quite well established in four diversified fields—electronic and electro-mechanical instruments, aircraft parts and components for military and commercial jet airplanes, residential heating and cooling products, and commercial-industrial gas, coal and oil burners for commerce and industry. The following is a review of company operations within each of these fields.

This intricate wing fitting for the Boeing jet airliner (707) is machined from a single aluminum casting, requiring machine work of the highest order. Modern metallurgy and scientific structural design are combined to produce a part of enormous strength with minimum weight.





Two steel wing struts for a guided missile are shaped simultaneously on this machine, which is automatically guided by the steel pattern under the hand of the operator.

Portland Aircraft Division

This plant on Seventeenth Avenue in Portland is the original Iron Fireman manufacturing facility. Due to additions and modernization through the years and with the acquisition of modern type machine tools for aircraft work, it is now one of the finer machine shops in the Northwest, staffed by qualified management, production and engineering people. High precision parts for aircraft and missiles are turned out in this division. Many of the parts are small in size requiring tolerances and finishes equivalent to those in a fine watch, and range up to large structural parts requiring a high degree of accuracy to meet reliability requirements for present-day aircraft. This division accounts for approximately 26% of the total sales of the company; and although the profits were less than the previous year due to the military stretch-out program, it again contributed substantially to the total income.

During 1958, an increasing volume of parts was turned out for the commercial jet airliners built by Boeing Airplane Company. This is the highly publicized "707" which inaugurated American-built jet airliner operation in 1958. This will continue to replace propeller driven planes on domestic and intercontinental routes of major airlines. The aircraft division manufactures many parts for the Boeing B-52 Bomber and the KC-135 Tanker, and specialized parts for the supersonic Bomarc, which is now America's longest range air defense missile. With a backlog of orders representing seven months' sales, it is expected that this aircraft division will again have a profitable year in 1959.

Electronics Division

The electronics industry as a whole had a less prosperous year in 1958 than in the preceding year. This was due primarily to the cutbacks and stretch-outs in military contracts by the Government late in 1957 (prior to Sputnik). Our Electronics Division, accounting for approximately 11% of the total sales of the company, had a profitable year. This was attributable to winning a larger share of the available market and to improved manufacturing efficiencies.

Important technological strides were taken by the division during the year. Several new and superior products were developed. In the relay field, most of the new designs were micro-miniature relays. These are very small and compact to meet the requirements in aircraft and guided missile applications, yet our electronics specialists have been able to achieve performance and electrical ratings which are equal to or even exceed the performance and rating of much larger competing relays. The R800 series relays are particularly notable. We have been able to successfully produce micro-miniature relays with much greater sensitivity and reliability in this new model.

Latching type micro-miniature relays were perfected and added to the line. These models require only a short pulse of low-level electric current to operate them. They are particularly well-suited for applications where available electric power must be conserved, such as missiles and satellites.

We now have a complete line of micro-miniature relays. They are all of the highest quality, yet we are able to produce them very competitively. These new relays have been received enthusiastically by our customers. This response to the new products, plus an increasing usage of the earlier models, is giving us a steadily expanding market.

In the gyroscope field the progress has been equally noteworthy. The greatest sales during the year were in vertical gyros for drone aircraft and this activity is expected to expand. The use of radio-controlled drone aircraft has a growing importance in military programs. Not only are drones used for target practice with anti-aircraft guns and ground-to-air missiles, but new types are equipped with television cameras for surveillance behind

enemy lines. Iron Fireman is one of the large producers of vertical gyros for pilotless aircraft and there is every reason to believe that we will continue to hold and consolidate this position.

A completely new vertical gyro has been developed in our Electronics Division for use in automatic fire control systems in the interceptor aircraft. It is already considered the preferred gyro of this type by certain producers of such systems, and we expect its superior features will attract orders from producers of systems for both Air Force and Navy aircraft.

Production orders are being filled for still another vertical type gyro which is used in the autopilot systems of commercial aircraft.

Vertical gyros are not the only type made by our Electronics Division. A roll free gyro was developed in 1958, and again production orders were forthcoming shortly after it was introduced. This type is used for flight stabilization in various medium-sized guided missiles. Our new model is smaller than competing gyros and has high reliability.

In addition to producing electronics components, this division is continuing to manufacture heating controls. During the past year, production costs were materially lowered on some of the highest volume controls. Also, a new thermostat was designed. It is attractively styled to blend tastefully with the decor in modern homes, and it embodies many new technical features. We expect to be in production on this new thermostat during the spring of 1959.

With a broader base of top quality products and with a backlog of orders representing five months' sales, this division is in the strongest competitive position since the company entered the electronics field several years ago.

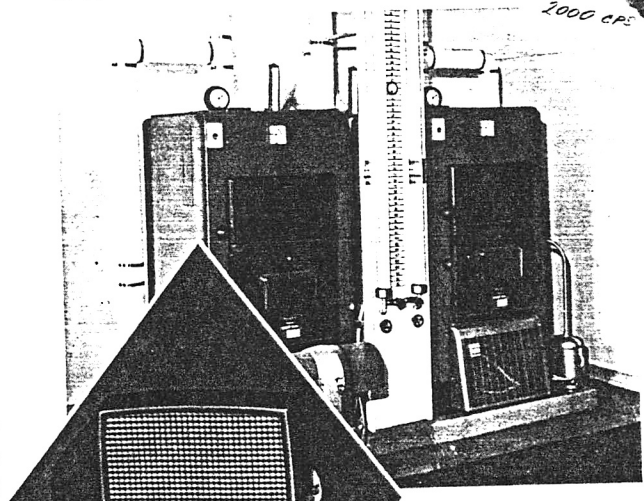
Residential Heating and Cooling

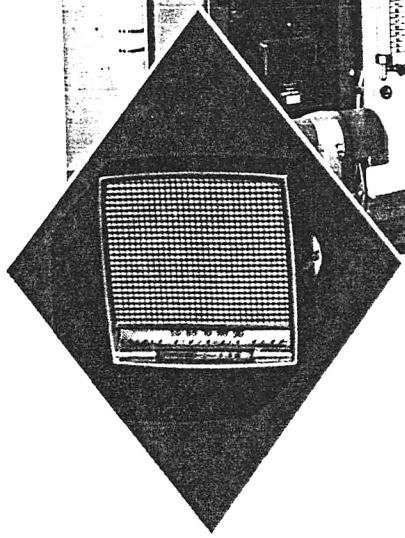
We believe that real progress has been made in this division. Credit is due to new products developed in our own laboratories and to the two new acquisitions—Timken Silent Automatic products and Conco furnaces. While 1958 has been a transition year for our factory and the dealers and distributors of both these new products, we are more enthusiastic than ever about the future. In recent meetings with key accounts, discussions about product lines and marketing policies have established a feeling of mutual confidence, and we can now anticipate increased sales and returns from both investments. In addition to an anticipated sales increase for products already in the Timken line, we are now making available to the dealer-distributor organization a re-designed gas furnace and a new gas-fired boiler to complete the line of products for home heating and cooling.

Among the new developments from our engineering laboratory is the Custom Mark II oil-fired furnace. Of all the products which we have introduced in recent years, the Custom Mark II has created the greatest interest among heating dealers, oil distributors and marketers, and home owners. The unique engineering design of the Custom Mark II makes possible a flame that starts clean and stays clean throughout the firing cycle. It eliminates costly chimney construction where local building codes permit, and due to its clean-burning characteristics eliminates the cause of most service complaints with conventional oil burners. A full-color advertisement in *House Beautiful* on the Custom Mark II has been included in this report.

Recently, we have adapted the Custom Mark II firing principle to a line of horizontal furnaces which have a specialized application for homes in certain areas and for a variety of commercial build-

Right, new Iron Fireman micro-miniature sensitive relay used in military electronic equipment. **Below**, dealer display shows by actual demonstration the greater efficiency of the Timken Silent Automatic oil burner over the gun type burner on the left.





This thermostat, new in both engineering and appearance, will soon take its place among Iron Fireman products. The attractive case was developed by a firm specializing in industrial design.

ings such as service stations, warehouses and store buildings.

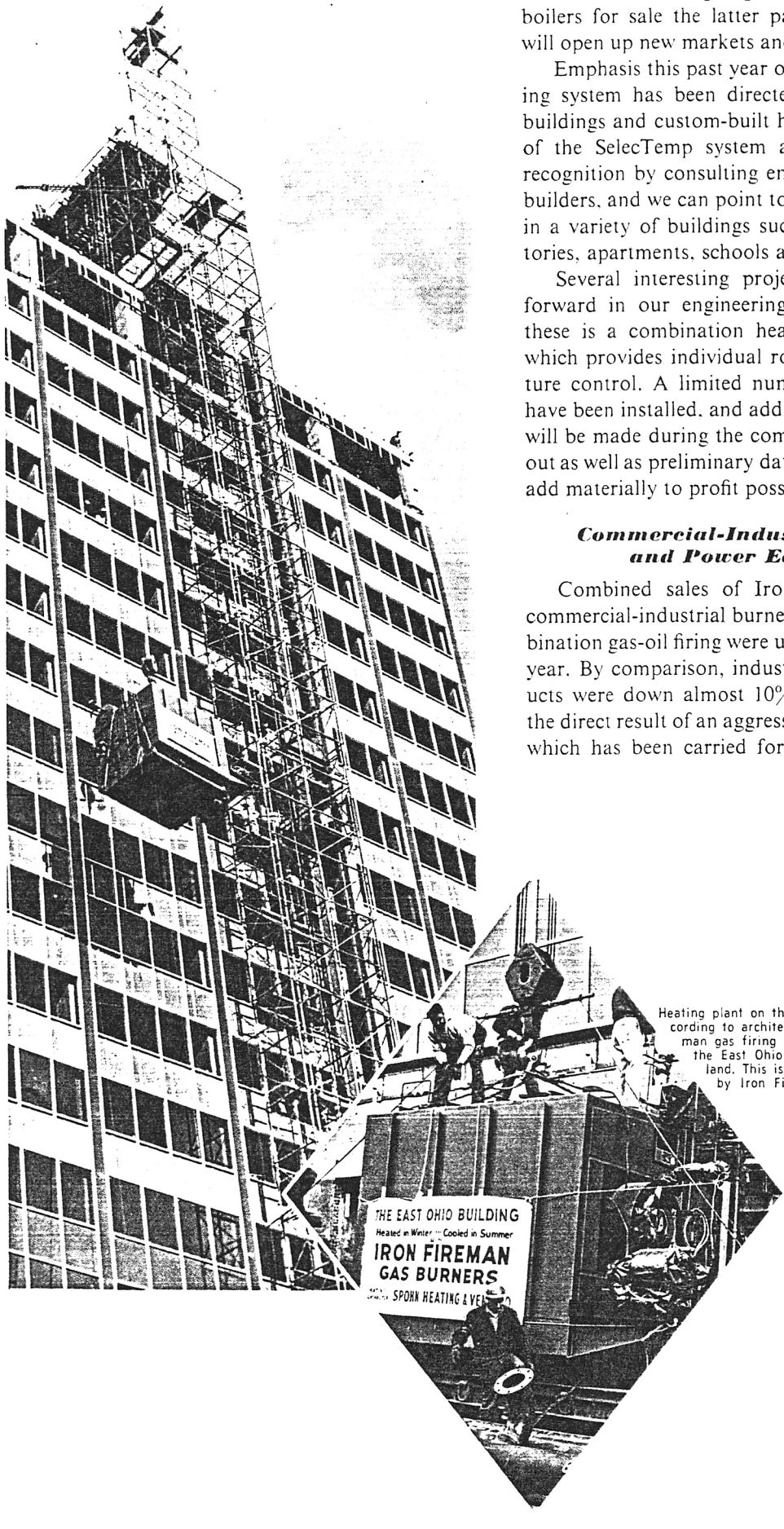
We are now designing a line of Custom Mark II boilers for sale the latter part of this year which will open up new markets and sales possibilities.

Emphasis this past year on our SelecTemp heating system has been directed toward commercial buildings and custom-built homes. The advantages of the SelecTemp system are being given wider recognition by consulting engineers, architects and builders, and we can point to a growing list of users in a variety of buildings such as churches, dormitories, apartments, schools and motels.

Several interesting projects are being carried forward in our engineering laboratories. One of these is a combination heating and cooling unit which provides individual room-by-room temperature control. A limited number of field test units have been installed, and additional test installations will be made during the coming year. If they prove out as well as preliminary data indicates, this should add materially to profit possibilities in future years.

Commercial-Industrial Heating and Power Equipment

Combined sales of Iron Fireman and Petro commercial-industrial burners for oil, gas and combination gas-oil firing were up 5% from the previous year. By comparison, industry sales of these products were down almost 10%. Our improvement is the direct result of an aggressive marketing program which has been carried forward for several years



Heating plant on the roof has many advantages, according to architects and engineers. This Iron Fireman gas firing unit is on its way to the top of the East Ohio Gas Company building in Cleveland. This is one of several roof installations by Iron Fireman.

and to the acceptance in the heating industry of certain new products.

Among these new products are the WhirlBlast burners, designed to burn both gas and light oil, and to fire both Scotch and firebox type boilers. These WhirlBlast burners have built-in forced draft blowers which eliminate costly chimneys or induced draft fans. Also, they make possible added savings in combustion chamber construction. Certain prominent boiler manufacturers have standardized on these burners, and through cooperative selling efforts we have enjoyed an accelerating volume of business.

The acceptance of both Petro and Iron Fireman oil and gas burners by increasing numbers of consulting engineers, architects and well-known companies points toward the continuation of a fine volume of business in our commercial-industrial product lines.

Company Financing

To carry forward its expansion program, provide additional working capital and pay off notes outstanding under the loan agreement of July 1, 1951, the company refinanced its long term loan as of January 1, 1959, by taking out a new loan, with three insurance companies participating, of $3,500,000 at 5¾% per annum, maturing January 1, 1973, payable $125,000 semi-annually.

Management

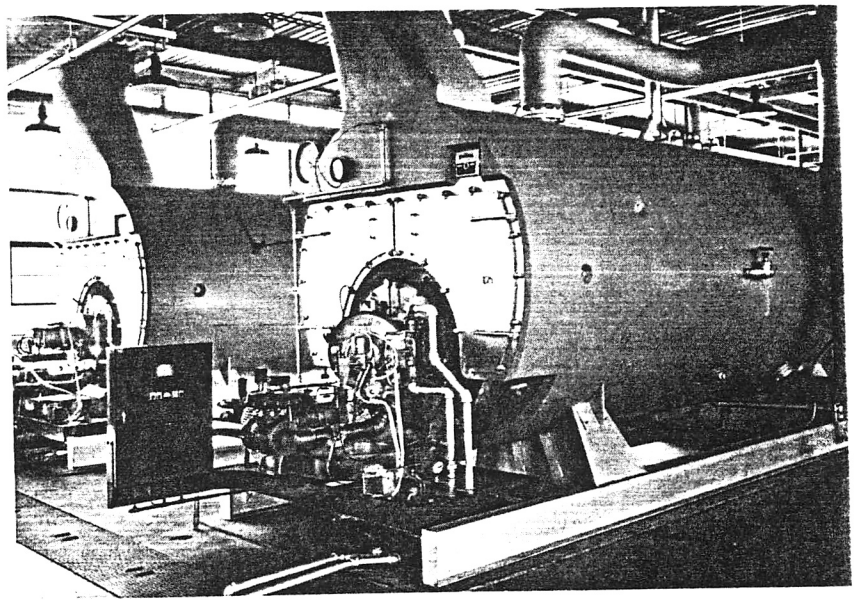
In reviewing the year's operations, special comment should be made of important changes in the Board of Directors and in the management staff.

Mr. T. Henry Boyd, after long and valued service as a Director and Voting Trustee, retired from active business due to ill health and submitted his resignation.

Mr. Thomas E. Morris, Financial Vice President of Consolidated Freightways, was elected a Director on March 5, 1958.

At a special meeting of the Board of Directors on June 16, 1958, the by-laws were amended to increase the Board of Directors to seven members. Mr. Ralph E. Parker and Mr. Norman A. Workman were elected to the Board. Mr. Parker heads his own contracting firm. Mr. Workman is a partner in the accounting firm of Workman, Shepard & Co.

Mr. J. H. Jordan was appointed Assistant to the President and assumed his duties on January 1, 1958. He previously had been Manager of the boiler-burner division for a large manufacturer of gas and oil burning equipment.



Petro gas-oil firing units supply steam for both heating and cooling in the Lambert-St. Louis Airport, one of the nation's newest, most imposing and largest air terminals.

Mr. Warren Blanke was appointed Marketing Manager on October 6, 1958. He formerly had been Vice President of an advertising firm and prior to that held a sales position with our Cleveland Retail Division.

Your newly elected Board members and management men bring in at the Board and executive level added strength for the management team. All have actively joined this past year in planning for the company's future growth.

Financial Statements

The financial statements of the company together with the certificate of our independent public accountants are included in this report. These data, with the accompanying charts and remarks, outline the results of our operations for 1958.

The Outlook

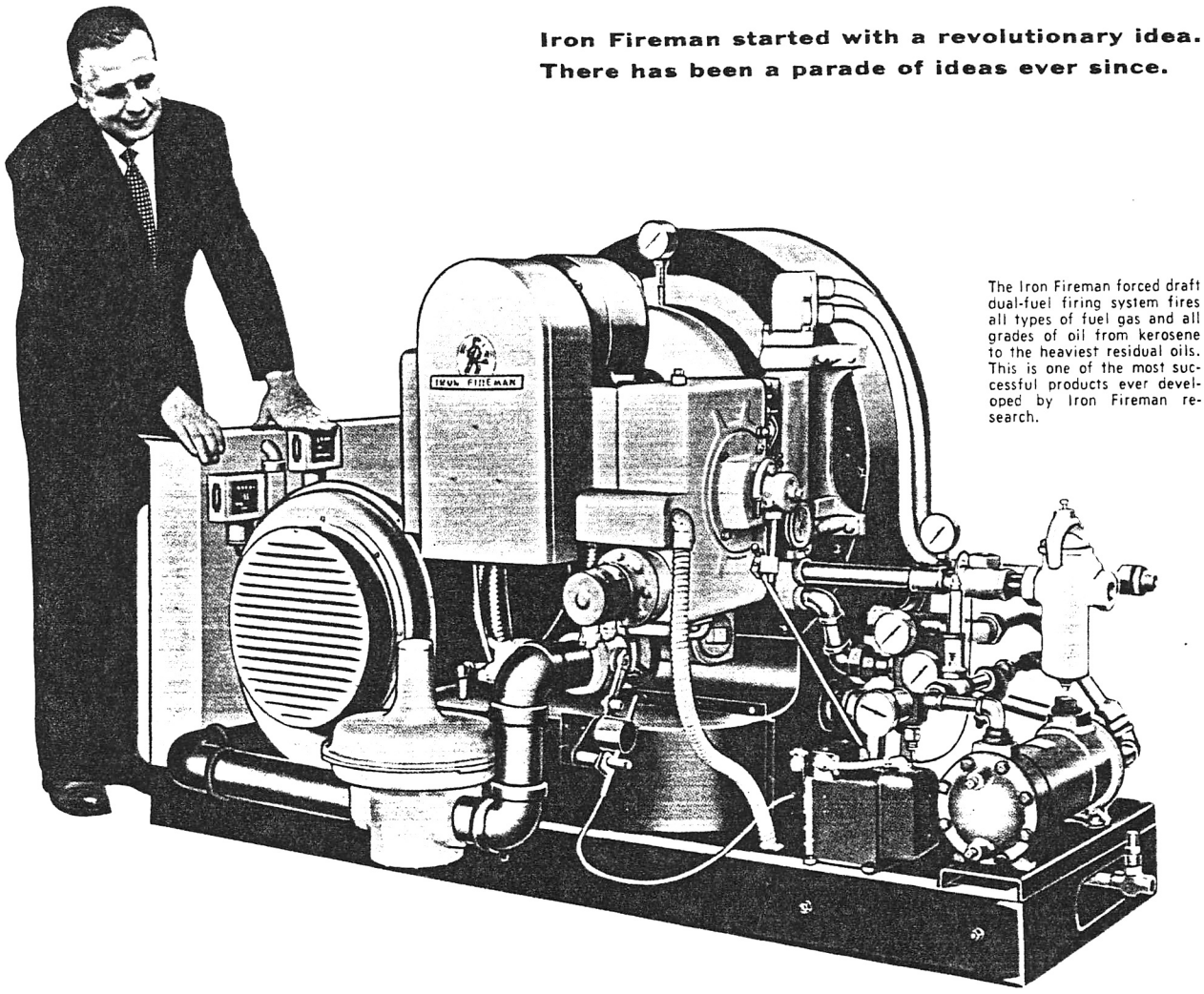
As we enter 1959, general business conditions in the fields in which we operate offer greater promise than they did a year ago, and with the new products which we plan to introduce, the long-range outlook for Iron Fireman is one of continued growth.

Lewis J. Cox

PRESIDENT

IRON FIREMAN RESEARCH AND DEVELOPMENT

Iron Fireman started with a revolutionary idea. There has been a parade of ideas ever since.



The Iron Fireman forced draft dual-fuel firing system fires all types of fuel gas and all grades of oil from kerosene to the heaviest residual oils. This is one of the most successful products ever developed by Iron Fireman research.

From its inception Iron Fireman has stressed the importance of continuous product development. This involved not only the steady improvement of existing products but also a program of engineering research that has given Iron Fireman a succession of new products.

Through research Iron Fireman is working out a long-term plan which has two aims: (1) To produce a heating line that covers the entire field, from the smallest residential equipment to the big industrial burners, using gas, oil and coal. (2) To develop in each segment of this line distinctive Iron Fireman equipment, with strong, exclusive selling features.

The first objective was pretty well realized by filling in parts of the line with burners of traditional design, years ago, but the second has required time as conventional types were gradually supplanted by new, sometimes radical, equipment. The new equipment not only had to be developed, but it had to be field tested for several years before being offered to the public. Now we feel safe in saying that Iron Fireman has the most complete, the most unique, and the most capably engineered heating line in the industry. The accompanying pictures give you the highlights.

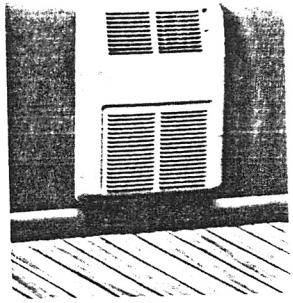
CUSTOM Mark II furnaces and boilers

This new method of oil firing for homes is the latest in the long line of Iron Fireman innovations. After laboratory development 12 furnaces were put into actual service in 1955, and are still in use. The number was gradually increased through the last

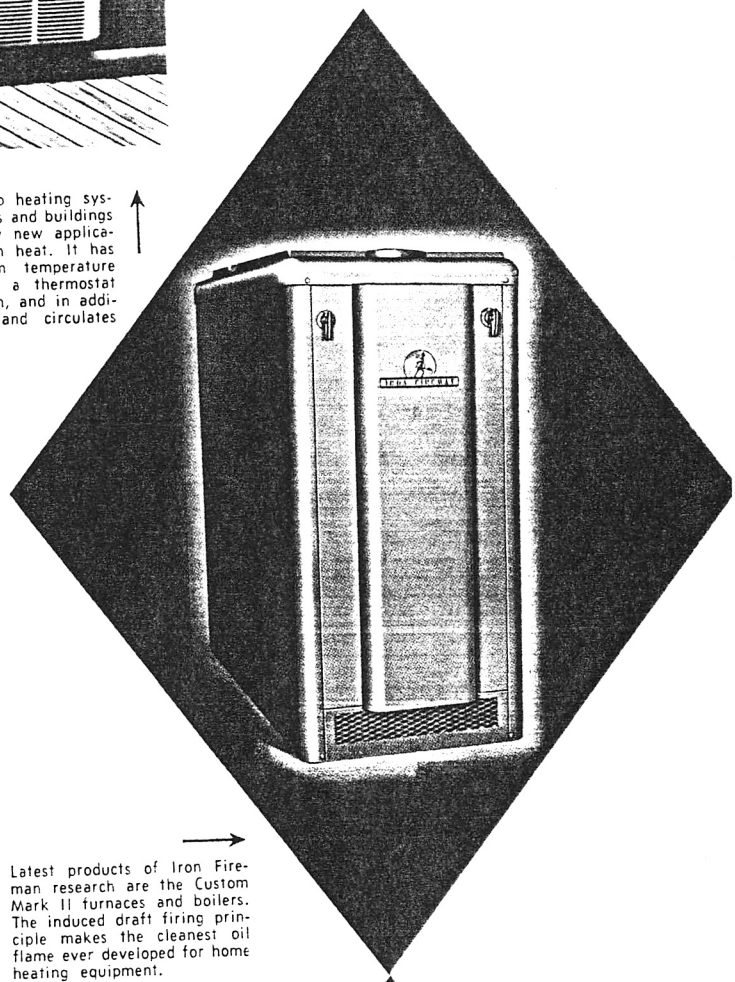
heating season, when there were nearly 1200 operating in homes.

The recent announcement of a clean-burning oil furnace that cut fuel consumption one third attracted the skeptical attention of the editor of *Fuel Oil News*, who came to Cleveland to see for himself. "It stopped me cold," he confessed. "This was either a premature April Fool or a matter of immediate importance to every oil heating man."

The result of his trip was a major article in his magazine which supported Iron Fireman claims for the new furnace. His article closed with this statement: "Some of the things I saw in their lab convinced me there will be more major news from this company in the very near future."

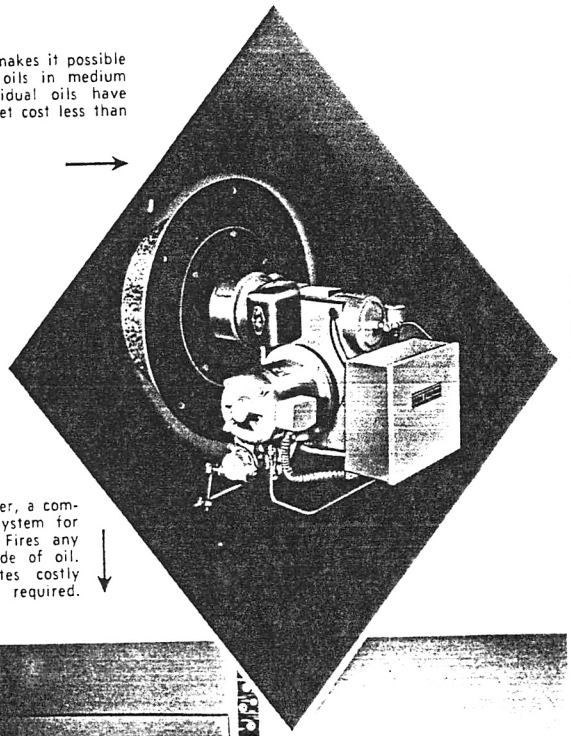


The SelecTemp heating system for homes and buildings is an entirely new application of steam heat. It has room-by-room temperature control, with a thermostat in every room, and in addition cleans and circulates the air.

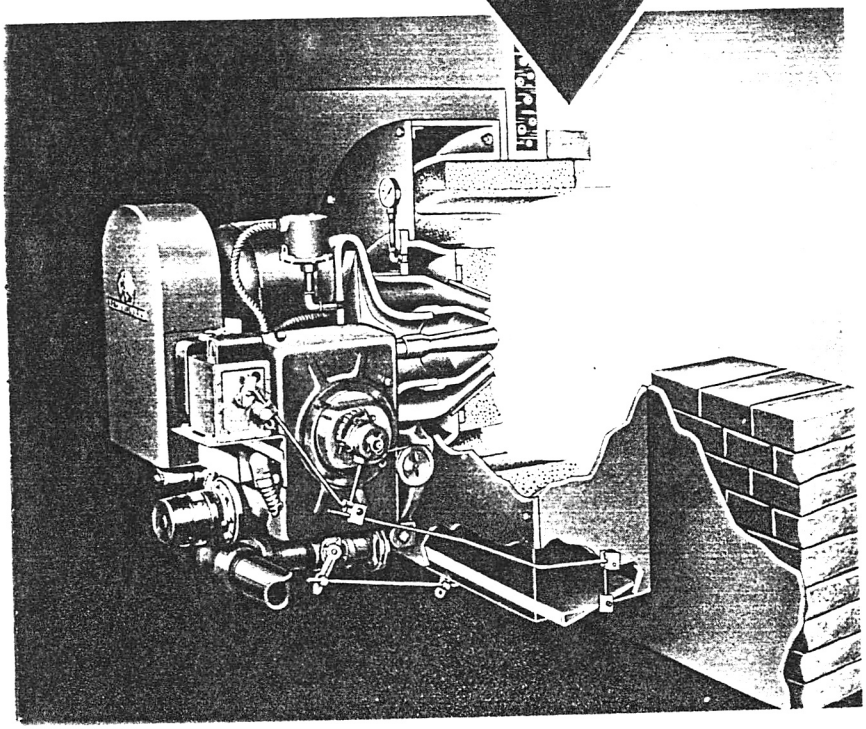


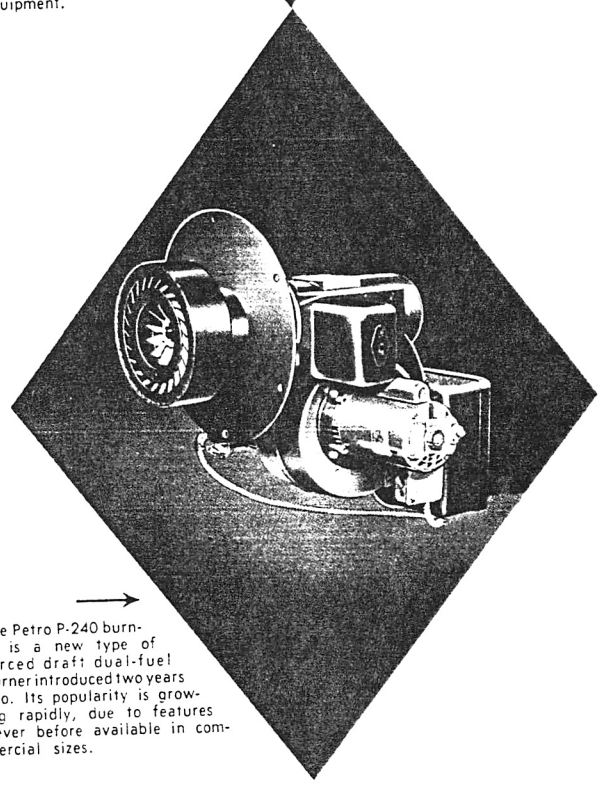
Latest products of Iron Fireman research are the Custom Mark II furnaces and boilers. The induced draft firing principle makes the cleanest oil flame ever developed for home heating equipment.

The MicroMist burner makes it possible to fire residual fuel oils in medium size boilers. The residual oils have higher heat content, yet cost less than light oils.

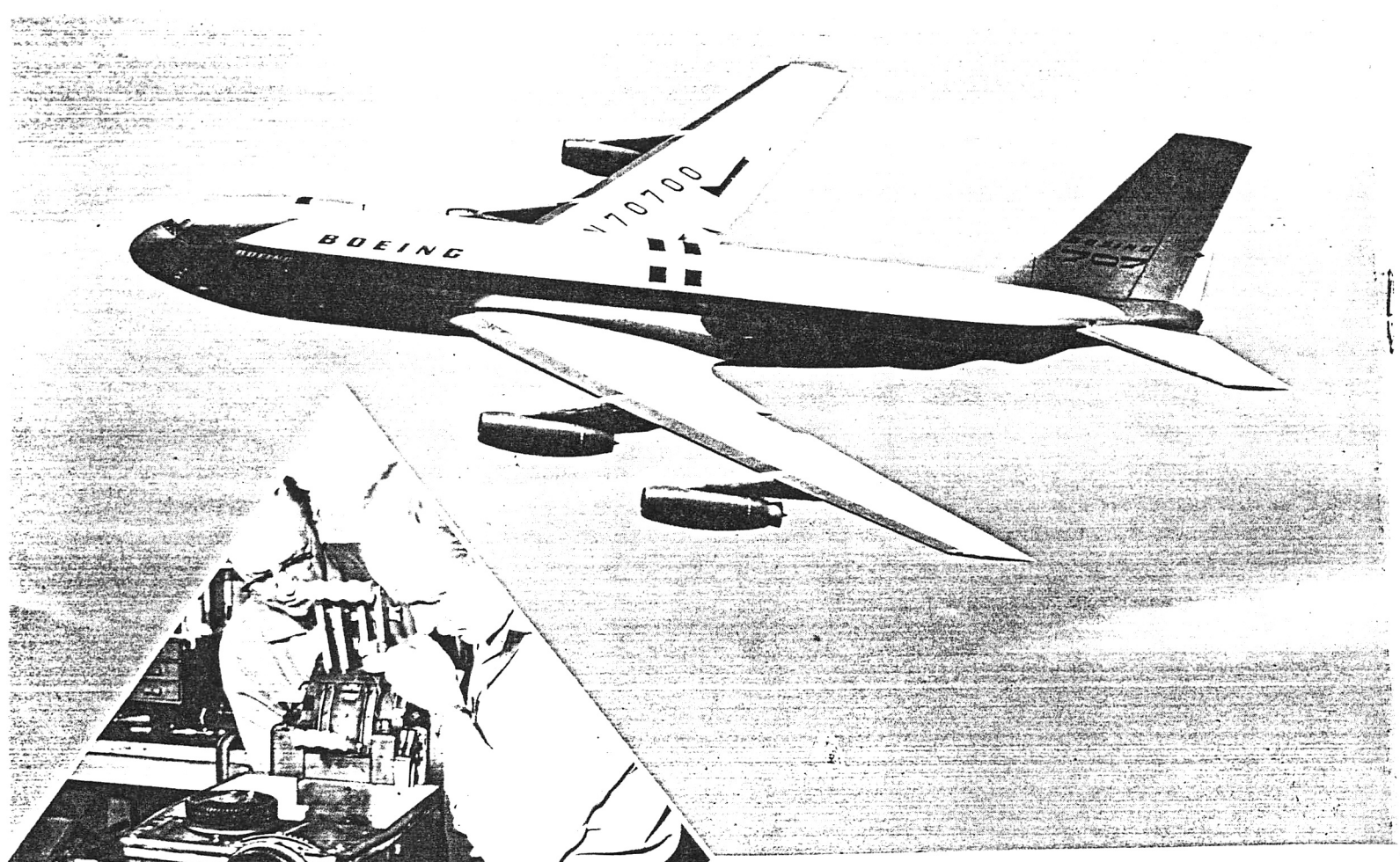


Sectional view of AirRing burner, a completely self-contained firing system for use in natural draft boilers. Fires any type of fuel gas or any grade of oil. Integral air system eliminates costly firebox construction formerly required.



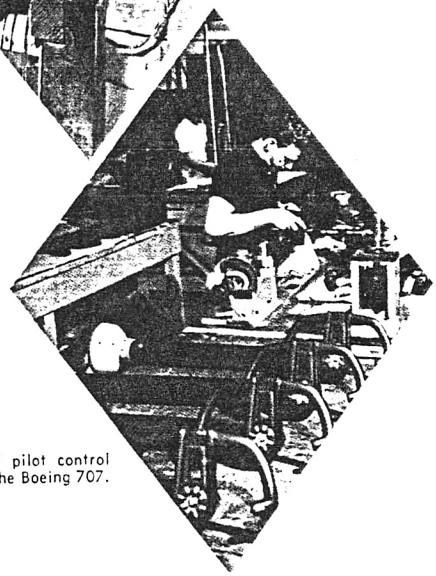


The Petro P-240 burner is a new type of forced draft dual-fuel burner introduced two years ago. Its popularity is growing rapidly, due to features never before available in commercial sizes.



The Boeing 707 jet transport, now in regular airline service, has many important Iron Fireman components.

The Aisle Stand, located between the pilot seats, is a vital control and communication center in the Boeing 707. This one has just been assembled in the Aircraft Division and is ready for testing.



Assembly of pilot control column for the Boeing 707.

PORTLAND AIRCRAFT DIVISION

The jet age is here; no spot on earth will be more than 24 hours from the nearest airport

First American jets in regular service are the Boeing 707's, which carry many vital components manufactured in the Aircraft Division. Among these is the complex system by which the pilots control the plane in flight. The center of the system is the aisle stand—a nerve center located between the pilots' seats. It contains motor controls, reverse thrust controls, trim switches for stabilizing the plane in flight, wing flap controls, radio and intercom switches and many other functions. Directional control (turning, climbing, descending) is centered in the Iron Fireman built control column and rudder pedal assembly in front of each pilot seat.

In addition to numerous mechanical assemblies Iron Fireman also supplies many intricate structural parts used in the air frame, in which some minor miracles have been achieved in combining tremendous strength with light weight. For making these parts the Aircraft Division is equipped with the most highly developed machine tools known in the industry.

For many years the company has had an equally important role in building up America's military air power and is currently producing a steady volume of military aircraft components. In recent years the Aircraft Division has become increasingly involved in the vast guided missile program and is now well equipped for specialized production in this field.

ELECTRONICS DIVISION

The field of electronics includes a wide range of devices that have made the "space age" possible

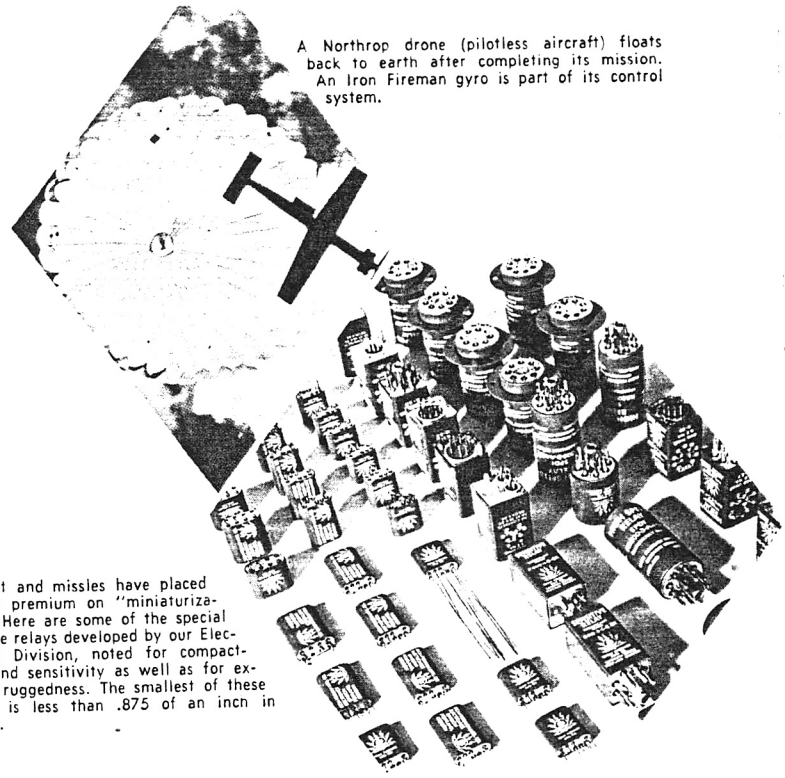
One of the principal applications of the Iron Fireman gyro is in the control system of drone aircraft. These pilotless planes are used for reconnaissance and for ground controlled targets in aerial gunnery.

Iron Fireman Electronics Division has specialized in these high precision instruments for a number of years and is now one of the leading manufacturers of the vertical type gyro used in drones.

During 1958 a new gyro was developed for missile use and is now appearing on the CORVUS, TERRIER and TARTAR missiles in Navy applications. The extreme care necessary in their manufacture is indicated in the accompanying pictures.

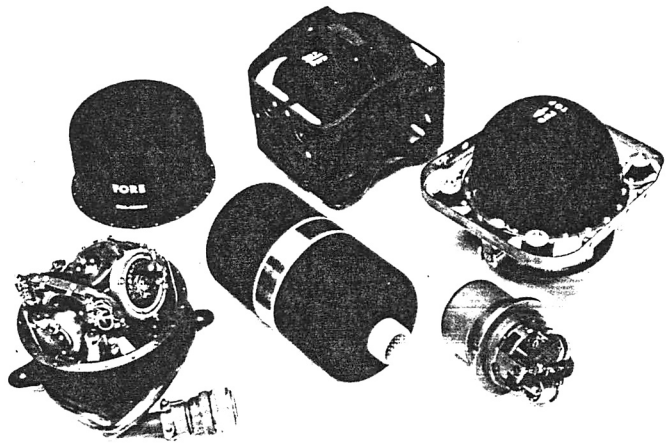
Another product of the Electronics Division is our line of electrical relays. These tiny but indispensable components are used in great numbers in all types of electronic gear. Recent micro-miniature models developed by Iron Fireman engineers are now being used in the Polaris missile.

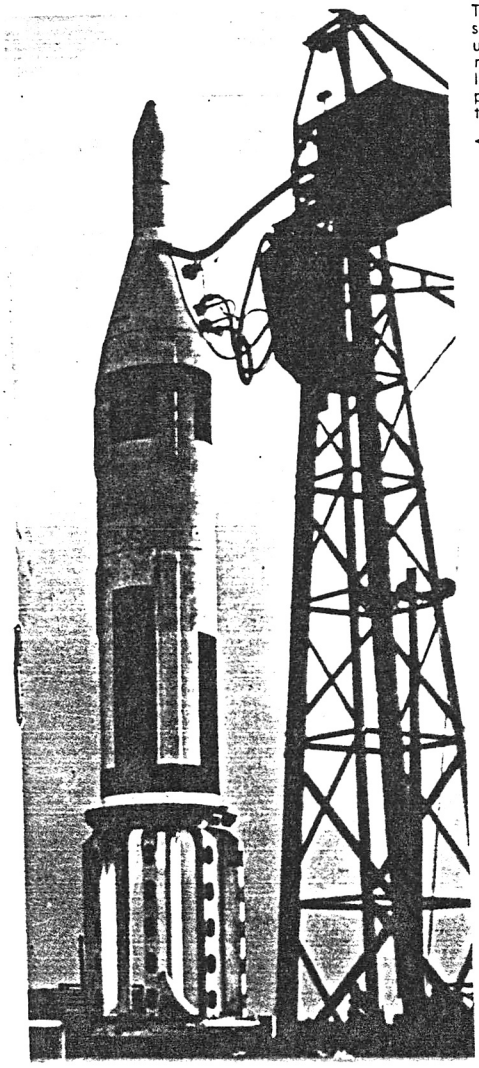
Heating control instruments, the original products of the Electronics Division, are still a sizable proportion of the business. The newly designed thermostat is shown on page 3.



A Northrop drone (pilotless aircraft) floats back to earth after completing its mission. An Iron Fireman gyro is part of its control system.

Aircraft and missles have placed a high premium on "miniaturization". Here are some of the special purpose relays developed by our Electronics Division, noted for compactness and sensitivity as well as for extreme ruggedness. The smallest of these relays is less than .875 of an inch in height.

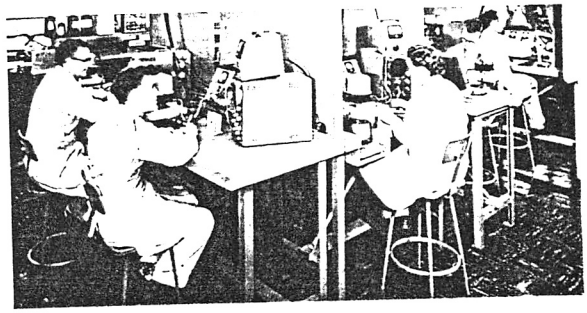




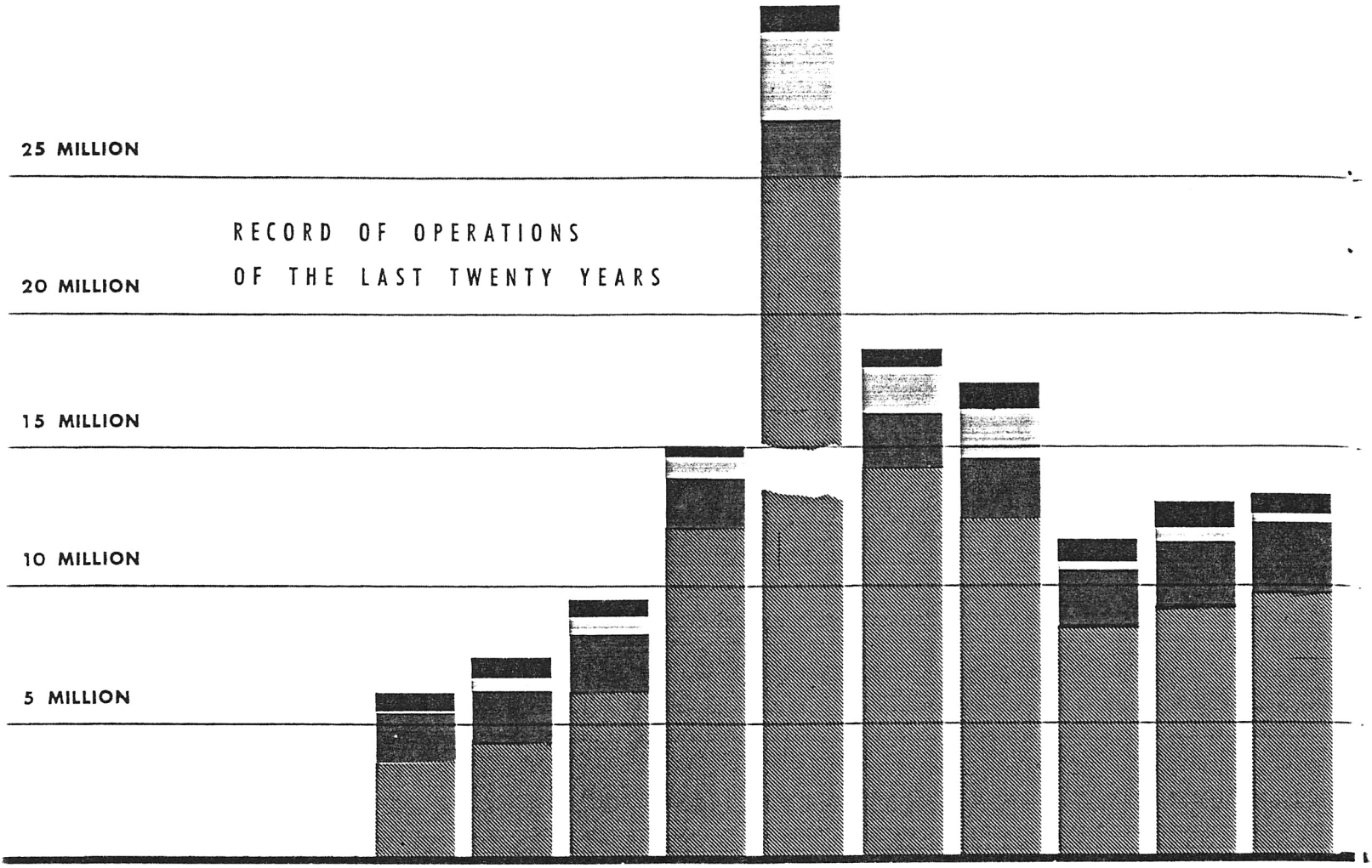
The Polaris "test vehicle" shown on the launching pad uses a huge number of micro-miniature Iron Fireman relays. The Polaris will be part of the armament of the atomic submarines.

These Iron Fireman vertical and free gyros are among the most delicately precisioned instruments used in missiles and military aircraft, yet they must be built to withstand enormous extremes of shock, vibration and temperature.

Shown here is a gyro operating in a cold cell in which the Fahrenheit temperature is 85° below zero.



Many sensitive electronic instruments are used in the final testing of gyros. Since the gyro mechanism can be disrupted by so small a matter as a grain of dust, the air in these rooms is kept slightly above atmospheric pressure to prevent leakage of dust into the rooms.

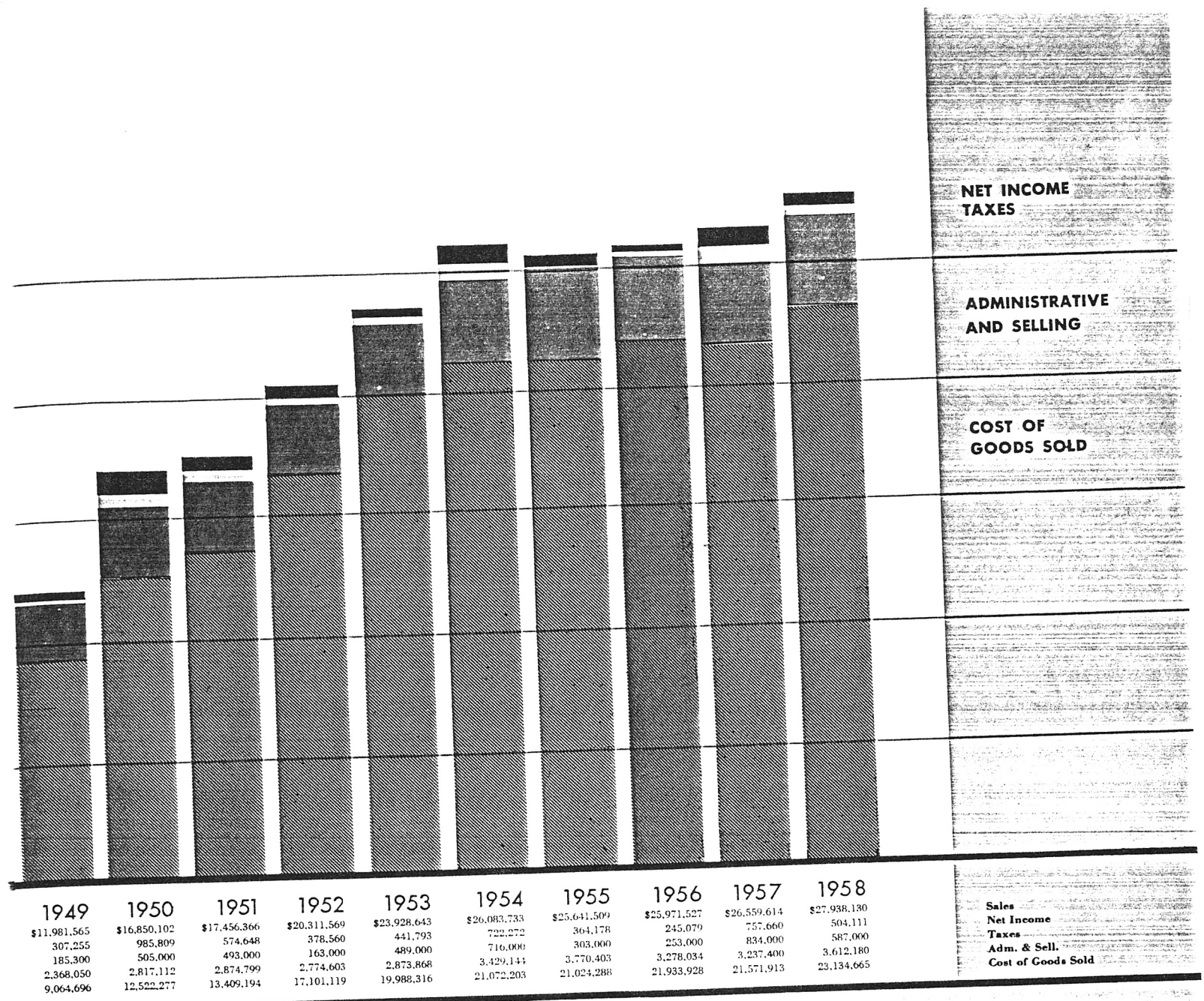


	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948
	$5,952,712	$7,232,803	$9,427,392	$15,092,169	$37,028,460	$18,659,321	$17,262,182	$11,515,823	$12,810,541	$13,227,167
	611,762	721,308	652,461	491,646	900,849	668,838	776,876	769,102	944,028	701,225
	146,329	427,688	663,773	771,061	3,189,685	1,720,367	2,003,370	362,089	445,600	345,000
	1,715,561	1,901,716	2,134,777	1,766,307	1,993,281	1,977,405	2,135,239	2,051,294	2,395,118	2,481,477
	3,503,483	4,220,268	6,010,209	12,137,739	30,682,576	14,496,057	13,476,465	8,747,723	9,174,493	9,679,355

DIVIDENDS PAID

YEAR	DIVIDEND	YEAR	DIVIDEND	YEAR	DIVIDEND	YEAR	DIVIDEND	YEAR	DIVIDEND
1929	$1.00	1935	$1.00	1941	$1.20	1947	$1.20	1953	$ .60
1930	1.50	1936	2.00	1942	1.20	1948	1.20	1954	.60
1931	1.35	1937	1.50	1943	1.20	1949	1.20	1955	.80
1932	.30	1938	1.20	1944	1.20	1950	1.20	1956	.45
1933		1939	1.20	1945	1.20	1951	1.15	1957	.30
1934	.80*	1940	1.45	1946	1.20	1952	.70	1958	.75

*Plus stock dividend



	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958
Sales	$11,981,565	$16,850,102	$17,456,366	$20,311,569	$23,928,643	$26,083,733	$25,641,509	$25,971,527	$26,559,614	$27,938,130
Net Income	307,255	985,809	574,648	378,560	441,793	722,272	364,178	245,079	757,660	504,111
Taxes	185,300	505,000	493,000	163,000	489,000	716,000	303,000	253,000	834,000	587,000
Adm. & Sell.	2,368,050	2,817,112	2,874,799	2,774,603	2,873,868	3,429,144	3,770,403	3,278,034	3,237,400	3,612,180
Cost of Goods Sold	9,064,696	12,522,277	13,409,194	17,101,119	19,988,316	21,072,203	21,024,288	21,933,928	21,571,913	23,134,665

SOURCE AND DISPOSITION OF FUNDS

	YEAR 1958	
SOURCE OF FUNDS		
Net income	$504,111	
Depreciation provided	488,688	
Increase in deferred income	5,446	
Total		$ 998,245
DISPOSITION OF FUNDS		
Net additions to plants and equipment	349,047	
Reduction in long term debt	200,000	
Dividends paid	269,926	
Total		818,973
INCREASE IN NET WORKING CAPITAL		179,272
EXCESS OF CURRENT ASSETS OVER CURRENT LIABILITIES		
December 31, 1958		7,311,410
December 31, 1957		7,132,138
INCREASE IN NET WORKING CAPITAL		$ 179,272

Consolidated

Iron Fireman Manufacturing Company

ASSETS

	December 31	
	1958	*1957*
CURRENT ASSETS:		
Cash	$ 1,286,896	$ 1,528,365
Accounts receivable—		
Trade	3,297,627	2,699,953
Contracts receivable on equipment installations	420,732	338,889
Allowance for doubtful accounts	(68,651)	(80,811)
Inventories of raw materials, work in process and finished products, at average cost or market, whichever lower	6,516,002	7,488,114
Prepaid expenses	217,918	228,369
	11,670,524	12,202,879
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Plant, machinery and equipment	5,183,331	5,283,898
Less—Accumulated depreciation	2,498,170	2,459,096
	2,685,161	2,824,802
Plant sites	220,675	220,675
	2,905,836	3,045,477
PATENTS, TRADEMARKS AND COPYRIGHTS	1	1
	$14,576,361	$15,248,357

BALANCE SHEET

.and Subsidiary Company

LIABILITIES

	December 31	
	1958	*1957*
CURRENT LIABILITIES:		
Notes payable to banks	$ 1,800,000	$ 2,200,000
Note instalments payable within one year	200,000	200,000
Accounts payable—trade	954,619	900,363
Accrued payrolls and expenses	532,169	621,622
U. S. and Canadian taxes on income	611,603	863,372
Other taxes	260,723	285,384
	4,359,114	5,070,741
NOTES PAYABLE—(Note 2)		
Payable $100,000 semiannually to 1963, less instalments due in one year	1,000,000	1,200,000
DEFERRED INCOME	11,771	6,325
STOCKHOLDERS' EQUITY (Note 3):		
Common stock, $1 par value ($5 stated value in 1957)		
Authorized—400,000 shares		
Issued —360,000 shares, less 90 shares in treasury	359,910	1,799,550
Excess of amount received over par value (stated value in 1957) of stock issued	2,035,290	595,650
Earnings retained in the business (Notes 1 and 2)	6,810,276	6,576,091
	9,205,476	8,971,291
	$14,576,361	$15,248,357

CONSOLIDATED STATEMENT OF INCOME AND EARNINGS RETAINED IN THE BUSINESS

Iron Fireman Manufacturing Company
and Subsidiary Company

	Year ending December 31	
	1958	*1957*
Net sales	$27,938,130	$26,559,614
Deduct:		
Cost of goods sold (excluding depreciation)	22,666,728	21,074,920
Depreciation	488,688	518,103
Selling, administrative and general expenses	3,591,429	3,216,290
	26,746,845	24,809,313
	1,191,285	1,750,301
Other income, net	111,525	70,736
Interest expense	(211,699)	(229,377)
	1,091,111	1,591,660
Provision for U. S. and Canadian taxes on income	587,000	834,000
Net income	504,111	757,660
Earnings retained in the business at beginning of year	6,576,091	5,926,402
	7,080,202	6,684,062
Dividends paid in cash, $.75 and $.30 per share respectively	269,926	107,971
Earnings retained in the business at end of year (Notes 1 and 2)	$ 6,810,276	$ 6,576,091

ACCOUNTANTS' REPORT

American Bank Building
Portland 5, Oregon
February 6, 1959

To the Board of Directors of
Iron Fireman Manufacturing Company

In our opinion, the accompanying statements present fairly the consolidated financial position of Iron Fireman Manufacturing Company and its subsidiary at December 31, 1958 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

NOTES TO FINANCIAL STATEMENTS

Note 1: The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, a Canadian corporation. The net assets of the subsidiary at December 31, 1958, expressed in United States dollars on a dollar for dollar basis, exceed the cost of the Company's investment by $892,858, representing undistributed earnings of the subsidiary which are included in consolidated earnings retained in the business.

Note 2: The notes payable were issued under a loan agreement, dated July 1, 1951, with an insurance company and others. The agreement provides, among other things, that the Company shall not declare any dividends if

(a) The consolidated net working capital of the Company and its wholly-owned domestic subsidiaries (none at December 31, 1958) would be less than $5,000,000 or

(b) The amount of dividends (except those payable in its capital stock) and stock acquisitions or redemptions since December 31, 1950, plus payments on principal of the notes would exceed consolidated net income of the Company and its wholly-owned domestic subsidiaries since that date plus $750,000.

At December 31, 1958, $1,655,622 of earnings retained in the business by the parent company are free from dividend restrictions under the loan agreement.

Note 3: The Board of Directors may, within a period of ten years from March 12, 1957, grant options to officers and other key employees to purchase unissued or reacquired shares of common stock of the Company, not to exceed a total of 18,000 shares; such options shall be at not less than 95% of the fair market value on the date they are granted. At December 31, 1958 options on 16,000 shares had been granted to sixteen officers and employees, exercisable with certain restrictions within five years from dates granted.

Note 4: Renegotiation under government contracts and subcontracts has been settled through 1956 and price redetermination has been settled through 1957. A substantial portion of the net income for the open years was attributable to renegotiable business and, although the return on such business was higher than experienced in recent years, management is of the opinion that no refunds will be required.

Note 5: The pension plans generally contemplate retirement of eligible employees attaining age 65 with at least 10 years of service. Salaried employees contribute towards funding of accruals on their current services; otherwise the Company bears the cost of the plans through payments to an insurance company and a trustee at amounts which are expected to be adequate for funding of current and past service costs. Liabilities under the plans are completely funded; however, the estimated unfunded past service cost to be funded upon continuation of the plans was approximately $770,000 at December 31, 1958. The cost of these plans for the year was approximately $178,000.

DIRECTORS, OFFICERS AND SENIOR EXECUTIVES

LEWIS J. COX
Director, President and
Chief Executive Officer

FRANK S. HECOX
Director, Vice President
and Treasurer

DAVID L. DAVIES
Director

THOMAS E. MORRIS
Director

RALPH E. PARKER
Director

E. C. SAMMONS
Director

NORMAN A. WORKMAN
Director

WM. BANNISTER
Manager, Canadian
Operations

S. H. BEACH
Industrial Sales
Manager

O. D. BERRY
Vice President—
Electronics Division

W. J. BLANKE
Marketing Manager

D. H. BUTLER
Sales Manager, Canada

C. C. CRAFT
Secretary

J. R. CREWS
Petro Sales Manager

H. M. CUTSHAW
General Sales Manager

R. W. FREEMAN
Cleveland Plant Manager

E. W. JONES
Manager, Chicago
Branch

J. H. JORDAN
Assistant to the President

W. P. LIESEN
Manager,
Milwaukee Branch

H. J. MACK
Controller

W. J. O'NEIL
Vice President—Sales

R. F. RENOUD
Director of Public and
Employee Relations

K. S. WRIGHT
Manager, Portland
Aircraft Division

R. C. WRIGHT
Vice President—
Engineering

DALE WYLIE
Director of Advertising
and Sales Promotion

Officers

President and Chief Executive Officer: *Lewis J. Cox*
Vice-President and Treasurer: *Frank S. Hecox*
Vice-President: *O. D. Berry*
Vice-President—Engineering: *R. C. Wright*
Vice-President—Sales: *William J. O'Neil*
Assistant to the President: *J. H. Jordan*
Secretary: *C. C. Craft*
Controller: *H. J. Mack*
Assistant Secretary: *David L. Davies*
Assistant Secretary: *Frederick H. Torp*

Directors

Lewis J. Cox
David L. Davies
Frank S. Hecox
Thomas E. Morris
Ralph E. Parker
E. C. Sammons
Norman A. Workman

Counsel

Hart, Rockwood, Davies, Biggs & Strayer

Transfer Agents and Registrars for Stock

The United States National Bank of Portland
Continental Illinois National Bank and Trust Company of Chicago
The Bank of California, N.A., Portland
The First National Bank of Chicago

Plants and Offices

General Offices:
3170 West 106th Street, Cleveland 11, Ohio

Financial Offices:
4784 S.E. 17th Avenue, Portland 7, Oregon

Manufacturing Plants:
3170 West 106th St., Cleveland, Ohio
4784 S.E. 17th Ave., Portland, Ore.
2838 S.E. 9th Ave., Portland, Ore.
80 Ward St., Toronto, Canada

Retail and Wholesale Offices:
4906 Ave. D., Brooklyn, N. Y.
1101 W. Adams St., Chicago, Ill.
3170 West 106th St., Cleveland, Ohio
2850 N. Teutonia Ave., Milwaukee, Wis.
5635 S.E. Foster Road, Portland, Ore.
3114 Washington Ave., St. Louis, Mo.
80 Ward St., Toronto, Canada

Regional Sales Offices:
Calhoun Bldg., Minneapolis, Minn.
Chanin Bldg., New York, N. Y.

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IRON FIREMAN MANUFACTURING COMPANY

General Offices: 3170 West 106th Street, Cleveland 11, Ohio

Financial Offices: 4784 S. E. 17th Avenue, Portland 7, Oregon

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